



DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

801 K STREET, MS 19-01, SACRAMENTO, CALIFORNIA 95814 • (916) 322-4027 • WWW.CALRECYCLE.CA.GOV

July 14, 2010

Valeria Cardenas
AERC Recycling Solutions
1475 Cocker Ave
Hayward, CA 94544

RE: FINAL AUDIT REPORT – AERC RECYCLING SOLUTIONS (CEWID 100046)

Dear Ms. Cardenas:

Enclosed is the final audit report of AERC Recycling Solutions, regarding the Covered Electronic Waste Recovery and Recycling Program. The audit was planned and performed to determine conformance with the regulations resulting from the Electronic Waste Recycling Act of 2003. The period of review for this audit was January 1, 2008 through December 31, 2008.

The audit disclosed the following finding:

- Incorrect Collection Log Documentation

The response by AERC Recycling Solutions to the draft audit report on April 15, 2010, along with the evaluation of the response is included in this final report. The response did address your corrective action to the finding.

A copy of this letter is being forwarded to the Covered Electronic Waste Recovery and Recycling Program for information and any necessary action, if required.

(Over)



Valeria Cardenas

July 14, 2010

Page 2

Please contact Gladys Onejeme, Auditor, at (916) 324-6892 or gladys.onejeme@calrecycle.ca.gov with any questions regarding this report.

Sincerely,



Susan R. Villa, Chief
Fiscal Services Branch
Administration and Finance Division

Enclosure

cc: Margo Reid Brown, Director, CalRecycle
Tom Estes, Deputy Director, Administration and Finance Division
Jeff Hunts, Manager, E-Waste Branch, CalRecycle
Gladys Onejeme, Auditor, Audits and Evaluations Unit, CalRecycle
CalRecycle Audits and Evaluations Unit File

(Over)

AN ELECTRONIC WASTE AUDIT

AERC Recycling Solutions

Electronic Waste Recovery and Recycling Account

Final Audit Report

Recycler Payment Claim: Claim 1180

**For the Period January 1, 2008
Through December 31, 2008**

**Prepared By:
Department of Resources Recycling and Recovery
Audits and Evaluations Unit**

July 2010

TABLE OF CONTENTS

FINAL AUDIT REPORT

SUMMARY	1
BACKGROUND	1
OBJECTIVE, SCOPE, AND METHODOLOGY.....	1
CONCLUSION	2
VIEW OF RESPONSIBLE OFFICIAL	2
RESTRICTED USE.....	2
FINDINGS AND RECOMMENDATIONS	3
ATTACHMENT – AUDITEE’S RESPONSE TO DRAFT REPORT	

**AERC Recycling Solutions (CEWID 100046)
Covered Electronic Waste Recovery and Recycling Program**

SUMMARY

The Department of Resources Recycling and Recovery (CalRecycle) processed and paid a claim, in the amount of \$169,466.70, submitted by AERC Recycling Solutions; an electronic waste recycler. The payments issued by CalRecycle are funded by the Electronic Waste Recovery and Recycling Account.

Audits and Evaluations Unit auditor, Gladys Onejeme, reviewed records related to the appropriateness of expenditures of Electronic Waste Recovery and Recycling Account, for the period of January 1, 2008 through December 31, 2008.

BACKGROUND

AERC Recycling Solutions, an approved recycler for the Electronic Waste Recovery and Recycling Program, has participated in covered electronic waste (CEW) recovery and recycling since January 1, 2005. AERC Recycling Solutions business operations and records are located at 1475 Crocker Avenue, in Hayward, California. AERC Recycling Solutions accepts and recycles all types of CEW. All material is clearly identified as either CEW qualifying material and segregated accordingly. AERC Recycling Solutions provides four (4) opportunities for the community to recycle their electronic items through collection events, customers' drop off by appointment only, and scheduled pick-ups by business, or residents.

AERC Recycling Solutions' client base consists primarily of commercial business, third party collectors, equipment manufacturers, and residents. The Net Cost Report of AERC Recycling Solutions states 80% CEW recovery from commercial business, 5% from residence and individuals, and 15% from institutions.

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit was conducted to determine whether AERC Recycling Solutions complied with CEW reporting, recordkeeping, and payment requirements, as specified by the California Public Resources Code Section 42460, et seq., and the California Code of Regulations (CCR), Title 14, Chapter 8.2.

The audit scope included, but was not limited to, an evaluation of the integrity of electronic waste recycling claims submitted to CalRecycle for payment, and an assessment of operational and regulatory compliance by the recycler.

FINAL AUDIT REPORT

The audit was conducted in accordance with *Government Auditing Standards*. The standards require that the audit was planned and performed to obtain sufficient and appropriate evidence to provide a reasonable basis for the finding(s), if any, and conclusion based on the audit objective.

CONCLUSION

SUMMARY

The audit disclosed an instance of noncompliance with the requirement outlined above. This instance is described in the accompanying Finding and Recommendation section of this report.

VIEW OF RESPONSIBLE OFFICIAL

Audit and Evaluations Unit Auditor: Gladys Ojeda, reviewed records related to the appropriateness of expenditures of Electronic Waste Recycling and Recycling Account for the period of January 1, 2008 through December 31, 2008.

CalRecycle issued a draft report on April, 15, 2010. Valeria Cardenas, SB20 Coordinator, responded to the report agreeing with the finding disclosed.

RESTRICTED USE

BACKGROUND

AERC Recycling Solutions, an approved recycler for the Electronic Waste Recycling and Recycling Account, has performed a covered electronic waste (CEW) recovery and recycling program. The program is designed to cover CEW recovery and recycling for all types of CEW. All material is identified as either CEW qualifying material and segregated accordingly. AERC Recycling Solutions provides four (4) opportunities for the community to recycle their electronic items through collection events, customers' drop off by appointment only, and scheduled pick-ups by business or residents.

AERC Recycling Solutions' client base consists primarily of commercial business, third party collection, equipment manufacturer, and residents. The Net Cost Return of AERC Recycling Solutions states 80% CEW recovery from commercial business, 5% from residence and individuals, and 15% from institutions.

This report is intended for the information and use of CalRecycle and AERC Recycling Solutions management. However, this report is a matter of public record and distribution is not limited.

FINDINGS AND RECOMMENDATIONS

Finding: Incorrect Collection Log Documentation

AERC Recycling Solutions' 2008 collection logs did not match with the collection logs on file with CalRecycle. In addition, the collection logs did not include dates of entries.

Title 14, CCR, Section 18660.20(j) states, "In addition to the general record keeping requirements in Section 18660.8 of this Chapter, an approved collector shall maintain the following records:

(1) A collection log containing:

(A) For each collection activity or event that results in CEWs transferred to the approved collector, a brief written description of the collection activity or event, including the type of California sources targeted for collection, the date and location the activity or event occurred, the number of CEWs collected, and an estimate of the weight of CEWs collected."

Failure to accurately complete and submit collection logs may result in an adjustment on claims submitted to CalRecycle, and a reduction of the Covered Electronic Waste Recovery and Recycling Payment made to AERC Recycling Solutions.

Recommendation

AERC Recycling Solutions should ensure that collection logs submitted to CalRecycle coincide with the collection logs maintained on site.

Auditee's Response

The auditee responded that the company had made changes in staffing, development, and written procedures to improve electronic waste business processes and recordkeeping procedures.

CalRecycle's Comment

Based on the auditee's response, the finding has been resolved.

ATTACHMENT – AUDITEE'S RESPONSE TO DRAFT REPORT

Finding:

Incorrect Collection Log Documentation

AERC Recycling Solutions' 2008 collection logs did not match with the collection logs on file with CalRecycle. In addition, the collection logs did not include dates of entries.

Title 14, CCR, Section 18680.20(f) states, "In addition to the general record keeping requirements in Section 18680.8 of this Chapter, an approved collector shall maintain the following records:

(1) A collection log containing:

(A) For each collection activity or event that results in CEWs transferred to the approved collector, a brief written description of the collection activity or event, including the type of California sources targeted for collection, the date and location the activity or event occurred, the number of CEWs collected, and an estimate of the weight of CEWs collected.

Failure to accurately complete and submit collection logs may result in an adjustment on claims submitted to CalRecycle, and a reduction of the Covered Electronic Waste Recovery and Recycling Payment made to AERC Recycling Solutions.

Recommendation

AERC Recycling Solutions should ensure that collection logs submitted to CalRecycle coincide with the collection logs maintained on site.

Auditee's Response

The auditee responded that the company had made changes in staffing, development, and written procedures to improve electronic waste business processes and recordkeeping procedures.

CalRecycle's Comment

Based on the auditee's response, the finding has been resolved.



Solutions for Secure Data Management, Mercury and End of Life Electronics

20 May 2010

Gladys Onejeme, Auditor
Department of Resources Recycling and Recovery
Post Office Box 4025, Mail Stop 19A
Sacramento, California 95812-4025

Re: Response to draft Audit Report, AERC Recycling Solutions, CEWID 100046

Dear Ms. Onejeme:

AERC Recycling Solutions ("AERC") respectfully offer this information in response to the draft audit report transmitted under Susan Villa's cover letter dated April 22, 2010.

The above-referenced draft audit report cited one finding:

Finding – Incorrect Collection Log Documentation

AERC Recycling Solutions 2008 collection logs did not match with the collection logs on file with CalRecycle. In addition, the collection logs did not include [a] number of date entries.

The discrepancy between some pages of the collection logs in the auditor's copy of the Claim and the AERC file copy of the Claim arose because of changes made between the time the Claim was initially submitted and the time of final Claim approval and payment. AERC assumes that the auditor's copy of the Claim reflected the final approved and paid Claim; the file copy we produced at the time of the audit reflected the Claim as submitted, and did not include changes made after the initial submittal.

The draft audit report made the following associated recommendation:

Recommendation

AERC Recycling Solutions should ensure that collection logs submitted to CalRecycle coincide with the collection logs maintained on site.

AERC appreciates your input. AERC notes that even before the time of your audit, we had made changes to improve our electronic waste business processes. These changes included staffing changes and the development and revision of written procedures. At the time the subject claim was

1475 Crocker Ave, Hayward, CA 94544 Office: 510.429.1129 Fax: 510.429.1498

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Ms. Gladys Onejeme
20 May 2010
Page 2

processed, we had different administrative staff assigned to our electronic waste recycling program; we have since reassigned staff, implemented standardized filing systems, and emphasized the importance of good recordkeeping with our personnel.

Since the time of your audit, we have been further revising our procedures concerning post-submittal claim recordkeeping procedures. Specifically, we will maintain a change record file for any claims we submit from this time forward. The change record file will include copies of pages within a claim package that are being revised or added to a claim, the pages, if any, that are replaced, and notations of the dates that changes are made. The change record file may be maintained in hard copy or electronic form.

AERC appreciates the time and effort you and Brandon (Smith) spent on this audit. The informal discussions we had while you were here provided us with helpful information that we will use to further improve our business processes.

Please feel free to contact our newly hired General Manager, Mr. Craig Stormo, at (510) 429-1129 with any questions or comments.

Sincerely,
for AERC Recycling Solutions,

A handwritten signature in cursive script that reads 'Donald Lees'.

Donald Lees
President

1475 Crocker Avenue, Hayward, California 94545
Office: 510.429.1129 Fax: 510.429.1498

"We are committed to a green world by helping clients in proper end-of-life management of assets containing sensitive data and components hazardous to our environment."

